



AARP Michigan T 1-866-227-7448
309 N. Washington Square F 517-482-2794
Suite 110 www.aarp.org/mi
Lansing, MI 48933

October 16, 2012

The Honorable Senator Joe Hune, Chair, and
Honorable Members of the Senate Insurance Committee
P.O. Box 30036
Lansing MI 48909

Re: Senate Bills 1293 & 1294 (Blue Cross Blue Shield legislation)

Dear Chairman Hune and Committee Members,

We are writing on behalf of AARP Michigan to share with you our concerns regarding Senate Bills 1293 and 1294 as introduced, and the larger proposal to reform Blue Cross Blue Shield of Michigan (BCBSM) as announced on September 11. We appreciate the opportunity to work with you to improve this legislation.

AARP is a nonprofit, nonpartisan 501(c)(4) social welfare organization with a membership that helps people 50+ have independence, choice and control in ways that are beneficial and affordable to them and society as a whole. More than 1.4 million Michigan citizens are AARP members. The proposed BCBSM reforms will impact two subsets of our membership and other Michiganders: seniors aged 65 and over who purchase Medicare supplemental coverage (known as Medigap), and people aged 50-64 who need to purchase individual coverage.

AARP agrees that implementation of the Affordable Care Act (ACA) will usher in new dynamics in the health insurance industry in Michigan. We acknowledge that the role of BCBSM as "insurer of last resort" for individual coverage will no longer be relevant in light of the ACA's requirement that all insurers in the individual and group markets cover customers regardless of pre-existing conditions as of January 1, 2014. Nevertheless, many other provisions of the current law as set forth in PA 350 of 1980 remain necessary to preserve affordability and access to health care for Michigan residents, and should not be abandoned in this effort to restructure BCBSM.

First, there is currently a mechanism under PA 350 to subsidize premiums for Michigan seniors purchasing Medicare Supplement products. We believe this subsidy should be continued. In addition, pursuant to a 2011 agreement between BCBSM and the state Attorney General, a freeze on premium increases for BCBSM Medigap coverage is currently in effect until July 31, 2016. Proponents of SBs 1293 and 1294 have stated their intention that this rate freeze will remain in place until June 2016. We were glad to hear this and would like to see this stated intent reflected in the legislation. Together, these two mechanisms have helped ensure access to affordable Medigap coverage for Michigan seniors in both the long and short term.

Second, there is an existing process under PA 350 by which rates for BCBSM individual plans are subject to pre-approval to ensure that rates are "equitable, adequate, and not excessive." Ensuring access to affordable coverage is important for all ages, but in the current economy this issue is of particular importance to Michigan residents aged 50-64. As a result of Michigan's economic downturn, more persons aged 50-64 are in the market for health coverage now because they lost their jobs and their employer-provided coverage, and already the coverage that is available is prohibitively expensive for many of them. We believe that additional protections for consumers regarding potential rate increases, beyond the Insurance Code's standard "file and use" provisions, will remain warranted in the case of BCBSM even after the proposed conversion to a nonprofit mutual company because of the uniquely large market share Blue Cross Blue Shield has in Michigan.


Third, we are concerned that the mechanism for essential funding that is currently made available under MCL 550.1403a for caregiver supports under the Senior Care Respite Fund would be jeopardized by the current proposal.

Fourth, we have questions regarding the proposed Michigan Health and Wellness Foundation. While we have been heartened to hear that Michigan's seniors are intended to be beneficiaries of the proposed foundation, it is essential that there be a consumer voice representing seniors on the Board. Additionally, we question whether the proposed \$1.5 billion in funding over 18 years is a sufficient level of funding given the unique historical role and current circumstances of Blue Cross Blue Shield in Michigan, and we believe an independent valuation is needed to make such a determination.

We are grateful for this opportunity to share our concerns with you. If you have any questions or if there is further information we might provide, please feel free to contact Felicia Wasson, our Associate State Director for Government Affairs, at 517-267-8917 or fwasson@aarp.org. We look forward to the continued opportunity to work with you to ensure access to quality, affordable health care for all, and in particular for Michigan's 50+ residents.

Sincerely,


Jacqueline Morrison
State Director


Robert Kolt
State President